

SUBJECT: Interpretation of DoD Handbook 5000.60-H, "Assessing Defense Industrial Capabilities (April 1996).

1. The DoD Directive "Defense Industrial Capabilities Assessments" (DoD Directive 5000.60) and accompanying Handbook "Assessing Defense Industrial Capabilities" (DoD 5000.60-H) were issued in April of 1996 as a framework and guideline to evaluate the need for DoD action to preserve defense industrial capabilities. The Handbook is mandatory for use by all DoD components (see Handbook "Foreword" by Paul G. Kaminski, Under Secretary of Defense, dated April 25, 1996). Since it was issued, there has been some confusion regarding when and how to apply the Handbook.
2. The Handbook requires a detailed "Handbook Analysis" and various high level approvals for "all actions or investments to preserve a capability". For all ACAT programs, all such actions or investments of *less than* \$10 Million annually must be approved by the Component Acquisition Executive(CAE) or Defense Acquisition Executive (DAE) as defined in DoD 5000.2-R. For all other products or programs, all such actions or investments of *less than* \$10 Million annually must be approved by the Head of the Contracting Activity (HCA). For all programs or products (ACAT and non-ACAT) any such action or investment of \$10 million or *more* annually must be approved by the USD(A&T). All such investments or actions to preserve a capability require a Handbook analysis.
3. The Handbook and Directive seem unclear as to what is considered an "action" and whether the terms "procurement" and "action" are synonymous. If they are synonymous, any decisions to restrict competition for mobilization base reasons (every exception 6.302-3(a)(2)(i) based J&A - an "Exception 3" J&A), for procurements over \$10 million, would require USD (A&T) approval and the associated Handbook analysis. During a recent acquisition action, I had the opportunity to seek some clarification of the Handbook from representatives from OSD who were instrumental in developing the DoD Handbook.

4. The PEO, GCSS in conjunction with AMC, DA and OSD had formed an IPT to prepare a J&A for the M795 program (PM SADARM) using "Exception 3" to limit competition to the U.S. and Canada. During that IPT process, the issue of how to interpret the Handbook was raised with a representative from OSD (an assistant to Mr. John B. Goodman, Deputy Under Secretary of Defense, Industrial Affairs & Installations). He was asked whether the Handbook language meant that every exception 6.302-3(a)(2)(i) based J&A had to have a Handbook industrial capabilities analysis and be approved in accordance with the Handbook. He explained, based on internal discussions within DoD at the time the Directive/Handbook were coordinated, that the terms were NOT intended to be synonymous.
5. He went on to explain (in a subsequent memo) that the J&A threshold on restrictions for mobilization base reasons is based on the value of the total procurement. He stated that it would be difficult if not impossible to quantify the price penalty (the value of the intervention action or investment) DoD pays by restricting competition for mobilization base reasons; and, in any event, such a decision is based on national security, not economic, factors. The threshold reflected in the Directive/Handbook is meant to apply to the value of a discrete action or investment (or discrete series of actions or investments) to preserve an endangered capability. These actions or investments could represent the sum total of a procurement or, more usually, a part of a larger procurement. In other words, the action or investment dollar threshold contained in the Directive/Handbook represents the value of the intervention itself. The dollar threshold for mobilization base restrictions represents the value of the procurement, not the value (cost penalty) to the procurement that arises from the domestic source requirement.
6. During our discussions, two examples of when the Handbook would be applicable were cited: (1). You are acquiring a supply in an ACAT program, but also acquire \$3 Million worth of unique equipment to lay away in order to preserve the industrial capability for that supply. That action would require a Handbook analysis and approval; and (2). You have an acquisition for \$79 Million worth of "powder" but that includes \$11 Million worth of powder that will be stockpiled. That action would be subject to the Handbook.
7. Please remember that this interpretation is NOT applicable to the Feb. 1995, USD(A&T) issued policy guidance stating that a decision to exclude foreign sources from a solicitation for mobilization base considerations (a restriction to U.S. and Canada) may be approved only

by the USD(A&T) for procurements over \$50 million. This guidance specifically applies to procurements and not just "actions or investments" and, therefore, must be complied with in all such J&A's that meet the \$50 Million threshold.

8. In view of the above interpretation of the Handbook, every J&A based upon CICA exception 6.302-3(a)(2)(i) need NOT be staffed and an industrial capabilities analysis need NOT be performed in accordance with the Handbook. In fact, it is likely that very few would require such analysis and special staffing. There may be J&A's and proposed acquisitions that include a "discrete investment ..." and may fall within the definition of an "action" subject to the Handbook. In such cases, these actions should be forwarded to the servicing Legal office for assistance in determining the applicability of the Handbook.

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